

CITY OF WINDCREST, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2010

**CITY OF WINDCREST, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010**

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INTRODUCTORY SECTION

**CITY OF WINDCREST, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

CITY OFFICIALS

MAYOR

RICK BRUNS

MAYOR PRO-TEM

MARY HATCH

CITY COUNCIL

JIM TREMBLAY

JOE REGAN

RITA DAVIS

GARLENE BACH

ACTING CITY MANAGER

DAVID CADENA

ATTORNEY

MICHAEL S. BRENNAN

AUDITOR

WEAVER AND TIDWELL, L.L.P.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of
The City Council
City of Windcrest, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Windcrest, Texas, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 45 through 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and Members of
The City Council
City of Windcrest, Texas

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windcrest, Texas, basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of these basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

WEAVER AND TIDWELL, L.L.P.

San Antonio, Texas
May 5, 2011

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of The City of Windcrest's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

City

- The City's total combined net assets were \$6,335,611 at September 30, 2010.
- During the year, the City's expenses were \$184,556 less than the \$6,160,682 generated in taxes and other revenues for governmental activities.
- The City's general fund reported a fund balance this year of \$1,495,963.
- The City entered into one new lease during the year for the purchase of 1 fire vehicle.

Economic Development Corporation (Component Unit)

- The Windcrest EDC, which was created in 1998 exclusively for the purpose of promoting economic development in the City of Windcrest, generated sales tax revenue in the amount of \$329,006 during the current year.
- The Windcrest EDC has served as a conduit to the revitalization of the Walzem Road area including a boundary change to acquire the old Windsor Park Mall and adjacent land and offerings of incentives that induced Rackspace Managed Hosting, an internet storage company, to relocate its corporate headquarters and eventually 4,500 employees there after it completes extensive infrastructure improvements.
- The Windcrest EDC's net assets were \$199,468 at September 30, 2010.
- The Windcrest EDC reported total revenues of \$379,373 and expenses of \$327,306 during the year.
- The Windcrest EDC reported a fund balance this year of \$146,021.

Crime Control District (Blended Component Unit)

- The Windcrest CCD, which was created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities, generated sales tax revenue in the amount of \$369,185 during the year.
- This is the fifth year of operations for the District.
- The Windcrest CCD reported total revenues of \$371,142 and expenses of \$359,428 during the year.
- The Windcrest CCD reported a fund balance this year of \$188,254.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as garbage collection.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

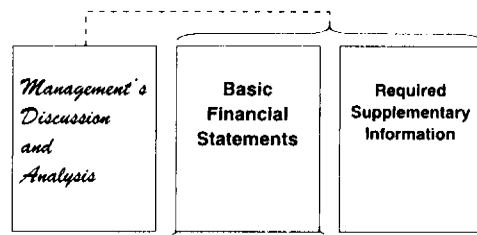


Figure A-1, Required Components of the City's Annual Financial Report

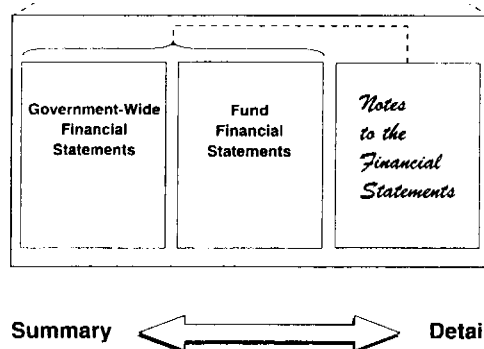


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements | | | |
|---|--|---|---|
| <i>Type of Statements</i> | Fund Statements | | |
| | Government-wide | Governmental Funds | Proprietary Funds |
| <i>Scope</i> | Entire City's government (except fiduciary funds) and the City's component units | The activities of the City that are not proprietary or fiduciary | Activities the City operates similar to private businesses: garbage utility fund |
| <i>Required financial statements</i> | • Statement of net assets | • Balance Sheet | • Statement of net assets |
| | • Statement of activities | • Statement of revenues, expenditures & changes in fund balances | • Statement of revenues, expenses & changes in fund net assets • Statement of cash flows |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$6,343,802 at September 30, 2010.
(See Table A-1)

Table A-1
City of Windcrest Net Assets
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|-------------------------|-----------------------------|----------------------|-------------------------|-------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| <i>Current Assets:</i> | | | | | | |
| Cash and Cash Equivalents | \$ 2,182 | \$ 2,061 | \$ 124 | \$ 130 | \$ 2,306 | \$ 2,191 |
| Other Receivables | 466 | 445 | 49 | 25 | \$ 515 | \$ 470 |
| Prepaid Expenses | 26 | - | - | - | 26 | - |
| Deferred Charges | 7 | 11 | - | - | 7 | 11 |
| Restricted Assets, Cash | 1,831 | 2,091 | - | - | 1,831 | 2,091 |
| <i>Total Current Assets</i> | <u>4,512</u> | <u>4,608</u> | <u>173</u> | <u>155</u> | <u>4,685</u> | <u>4,763</u> |
| <i>Non-Current Assets:</i> | | | | | | |
| Land | 269 | 269 | - | - | 269 | 269 |
| Building and Improvements | 2,337 | 2,337 | - | - | 2,337 | 2,337 |
| Furniture & Equipment | 3,902 | 3,909 | - | - | 3,902 | 3,909 |
| Infrastructure | 5,098 | 5,098 | - | - | 5,098 | 5,098 |
| Less Accumulated Depreciation | (5,401) | (4,761) | - | - | (5,401) | (4,761) |
| <i>Total Non-Current Assets</i> | <u>6,205</u> | <u>6,852</u> | <u>-</u> | <u>-</u> | <u>6,205</u> | <u>6,852</u> |
| TOTAL ASSETS | <u><u>\$ 10,717</u></u> | <u><u>\$ 11,460</u></u> | <u><u>\$ 173</u></u> | <u><u>\$ 155</u></u> | <u><u>\$ 10,890</u></u> | <u><u>\$ 11,615</u></u> |

Table A-1 (Continued)
City of Windcrest Net Assets
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|------------------|-----------------------------|---------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| <i>Current Liabilities:</i> | | | | | | |
| Accounts Payable and Other Current Liabilities | \$ 367 | \$ 326 | \$ 71 | \$ 59 | \$ 438 | \$ 385 |
| Deposits | 1,841 | 2,103 | - | - | 1,841 | 2,103 |
| Accrued Interest Payable | 26 | 33 | - | - | 26 | 33 |
| <i>Total Current Liabilities</i> | <u>2,234</u> | <u>2,462</u> | <u>71</u> | <u>59</u> | <u>2,305</u> | <u>2,521</u> |
| <i>Non-Current Liabilities:</i> | | | | | | |
| Due within One Year | 656 | 746 | - | - | 656 | 746 |
| Due in more than One Year | 1,593 | 2,202 | - | - | 1,593 | 2,202 |
| <i>Total Non-Current Liabilities</i> | <u>2,249</u> | <u>2,948</u> | <u>-</u> | <u>-</u> | <u>2,249</u> | <u>2,948</u> |
| TOTAL LIABILITIES | <u>4,483</u> | <u>5,410</u> | <u>71</u> | <u>59</u> | <u>4,554</u> | <u>5,469</u> |
| <i>Net Assets:</i> | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 3,956 | 3,893 | - | - | 3,956 | 3,893 |
| Restricted for Debt Service | 14 | 31 | - | - | 14 | 31 |
| Unrestricted | 2,264 | 2,126 | 102 | 96 | 2,366 | 2,222 |
| TOTAL NET ASSETS | <u>6,234</u> | <u>6,050</u> | <u>102</u> | <u>96</u> | <u>6,336</u> | <u>6,146</u> |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 10,717</u> | <u>\$ 11,460</u> | <u>\$ 173</u> | <u>\$ 155</u> | <u>\$ 10,890</u> | <u>\$ 11,615</u> |

Restricted Assets consist of a \$25,000 Certificate of Deposit pledged by a local restaurant and held by the City as a surety bond, and escrow funds of \$1,806,107 intended for infrastructure developments in the Windsor Mall area.

Changes in net assets (Table A-2)

The City's total revenues were \$6,974,429. A significant portion, 70.11% of the City's revenues, comes from sales and ad valorem taxes, 17.89% comes from charges for services, 11.63% comes from Garbage Services, 0.17% grants and other misc. revenues while 0.19% comes from investment earnings.

The total cost of all programs and services was \$6,776,705.

Table A-2
Changes in City of Windcrest Net Assets
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------|-----------------------------|--------------|---------------|--------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| PROGRAM REVENUES | | | | | | |
| Charges for Services | \$ 1,248 | \$ 1,139 | \$ 812 | \$ 730 | \$ 2,060 | \$ 1,869 |
| Grants & Contributions | 12 | 17 | - | - | 12 | 17 |
| General Revenues | | | - | - | | |
| Property Taxes | 1,954 | 2,118 | - | - | 1,954 | 2,118 |
| Non Property Taxes | 2,935 | 2,509 | - | - | 2,935 | 2,509 |
| Investment Earnings | 12 | 26 | 2 | 3 | 14 | 29 |
| TOTAL REVENUES | 6,161 | 5,809 | 814 | 733 | 6,975 | 6,542 |
| EXPENSES | | | | | | |
| General Government | 1,329 | 1,413 | - | - | 1,329 | 1,413 |
| Public Safety | 2,213 | 2,150 | - | - | 2,213 | 2,150 |
| Public Works | 1,296 | 1,291 | - | - | 1,296 | 1,291 |
| Animal Control | 49 | 49 | - | - | 49 | 49 |
| Economic Development | 244 | 198 | - | - | 244 | 198 |
| Special Services | 270 | 344 | - | - | 270 | 344 |
| EMS/Tech Support | 291 | 274 | - | - | 291 | 274 |
| Loss on Sale of Equipment | 1 | - | - | - | 1 | - |
| Capital Outlay | 181 | 22 | - | - | 181 | 22 |
| Interest on Long-Term Debt | 102 | 98 | - | - | 102 | 98 |
| Garbage | - | - | 809 | 692 | 809 | 692 |
| TOTAL EXPENSES | 5,976 | 5,839 | 809 | 692 | 6,785 | 6,531 |
| Changes in Net Assets | | | | | | |
| Before Transfers | 185 | (30) | 5 | 41 | 190 | 11 |
| Transfers In (Out) | - | - | - | - | - | - |
| Increase (Decrease) in Net Assets | \$ 185 | \$ (30) | \$ 5 | \$ 41 | \$ 190 | \$ 11 |

Governmental Activities

Property Tax rates remained at .436495. Property tax rates for general operations were unchanged at 0.362654. The Interest and Sinking portion, to pay the GO refunding bonds for street improvements, is 0.073841. Property Taxes levied changed from \$2,051,301 in 2009 to \$1,989,202 a decrease of \$62,099.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as charges for services.

The cost of all governmental activities this year was \$4,716,057. However, the amount that our taxpayers paid for these activities through property taxes was only \$1,953,924.

Table A-3
Net Cost of Selected City Functions
(In thousands of dollars)

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------|------------------------|----------|----------|----------------------|--------|----------|
| | 2010 | 2009 | % Change | 2010 | 2009 | % Change |
| General Government | \$ 1,329 | \$ 1,413 | -5.9% | \$ 930 | \$ 996 | -6.6% |
| Public Safety | 2,213 | 2,150 | 2.9% | 1,855 | 1,774 | 4.6% |
| Public Works | 1,296 | 1,291 | 0.4% | 1,000 | 1,126 | -11.2% |
| Garbage Utility | 801 | 692 | 15.8% | 13 | 38 | -65.8% |
| Economic Development | 244 | 198 | 23.2% | 37 | 2 | 1750.0% |

Business Type Activities

Revenues of the City's business type activities (garbage utility) were \$812,081, and expenses were \$808,770.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6,147,163. Local revenues are mainly property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses, permits, and court fines, charges for services, grants, interest and miscellaneous revenue.

General Fund Budgetary Highlights

Over the course of the year, the City had numerous budget adjustments.

Final actual revenues were \$212,737 less than final budgeted revenues. This does not include revenue from other financing sources of \$135,799 which consists primarily of transfers from other funds that were budgeted for but not included with revenue.

Final actual expenditures were \$255,933 less than final budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had invested \$11,606,529 in a broad range of capital assets, including land, equipment, buildings, vehicles and street improvements. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$6,866 or 0.059 percent over last year.

Capital Leases FYE 2010

Ford Explorer - Fire Department Gen.Fund \$ 20,820

Total \$ 20,820

Although we haven't actually completely paid for these lease purchases, they are in our possession and GAAP requires that the City must report them as a "capital outlay expenditure" equal to the net present value of the minimum lease payments. They are also recorded as an "other financing source" in the same amount in the financial statements of the above mentioned funds.

The City's fiscal year 2010 capital outlay spending totaled \$201,332 principally for facility repairs, vehicles, equipment, and improvements. Please note that the lease purchases are included in this figure. More detailed information about the City's capital assets is presented in the Note 5 to the financial statements.

Table A-4
City's Capital Assets
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|-------------------------------|-------------------------|-----------------|--------------------------|-------------|-----------------|-----------------|-------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-2010 |
| Land | \$ 269 | \$ 269 | \$ - | \$ - | \$ 269 | \$ 269 | 0.0% |
| Buildings and improvements | 2,337 | 2,337 | - | - | 2,337 | 2,337 | 0.0% |
| Improvements other than bldgs | 5,098 | 5,098 | - | - | 5,098 | 5,098 | 0.0% |
| Furniture and equipment | 2,694 | 2,701 | - | - | 2,694 | 2,701 | -0.3% |
| Equip under capital lease | 1,208 | 1,208 | - | - | 1,208 | 1,208 | 0.0% |
| Totals at historical cost | <u>11,606</u> | <u>11,613</u> | <u>-</u> | <u>-</u> | <u>11,606</u> | <u>11,613</u> | <u>-0.1%</u> |
| Total accum. depreciation | <u>(5,401)</u> | <u>(4,761)</u> | <u>-</u> | <u>-</u> | <u>(5,401)</u> | <u>(4,761)</u> | <u>13.4%</u> |
| Net capital assets | <u>\$ 6,205</u> | <u>\$ 6,852</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,205</u> | <u>\$ 6,852</u> | <u>-9.4%</u> |

Long Term Debt

At year-end the City had \$1,750,000 in GO Refunding Bonds Outstanding, and \$379,388 in capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in Note 6 to the financial statements.

Table A-5
City of Windcrest's Long Term Debt
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|------------------------------|----------------------------|-----------------|-----------------------------|-------------|-----------------|-----------------|-------------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010-2009 |
| Leases Payable | \$ 379 | \$ 569 | \$ - | \$ - | \$ 379 | \$ 569 | -33.4% |
| Tax Notes Payable | - | 110 | - | - | - | 110 | -100.0% |
| GO Refunding Bonds | 1,750 | 2,155 | - | - | 1,750 | 2,155 | -18.8% |
| Compensated Absences Payable | 119 | 114 | - | - | 119 | 114 | 4.4% |
| Total Long Term Debt | <u>\$ 2,248</u> | <u>\$ 2,948</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,248</u> | <u>\$ 2,948</u> | <u>-23.7%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2010-11.

- Assessed taxable property value decreased from \$470,160,162 in 2009, to \$455,648,775 in 2010 a decrease of \$14,511,381.
- Revenues available for appropriation in the general fund budget for 2010-11 are \$4,570,478.
- General fund operating expenditures estimated 2010-11 budgets are \$4,531,847.
- With the ongoing Walzem Road area revitalization efforts including the boundary change that acquired the old Windsor Park Mall and adjacent land, and the relocation of Rackspace Managed Hosting, an internet storage company with eventually 4,500 employees, the City and surrounding region will see increased development in the form of multi-family houses, retail, office, restaurant, entertainment facilities and single family neighborhoods.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department.

BASIC FINANCIAL STATEMENTS

**CITY OF WINDCREST
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

| | Primary Government | | | Component Unit |
|---|----------------------|-------------------|----------------------|-------------------|
| | Governmental | Business- | | Economic |
| | Activities | Type | Total | Development |
| | | Activities | | Corporation |
| ASSETS | | | | |
| Cash and investments | \$ 2,182,442 | \$ 123,348 | \$ 2,305,790 | \$ 88,334 |
| Receivables (net of allowances for uncollectibles) | | | | |
| Taxes | 25,534 | - | 25,534 | - |
| Accounts | 439,866 | 49,181 | 489,047 | 58,045 |
| Due from component unit | 363 | - | 363 | - |
| Restricted assets | | | | |
| Cash and investments | 1,831,107 | - | 1,831,107 | 5 |
| Prepaid expenses | 25,807 | - | 25,807 | - |
| Deferred charges | 7,391 | - | 7,391 | - |
| Capital assets | | | | |
| Land | 269,345 | - | 269,345 | - |
| Buildings and improvements | 2,337,175 | - | 2,337,175 | 57,430 |
| Improvements other than buildings | 5,097,866 | - | 5,097,866 | 1,820 |
| Furniture and equipment | 2,694,458 | - | 2,694,458 | 29,678 |
| Equipment under capital lease | 1,207,685 | - | 1,207,685 | 16,368 |
| Accumulated depreciation | (5,401,947) | - | (5,401,947) | (51,849) |
| TOTAL ASSETS | \$ 10,717,092 | \$ 172,529 | \$ 10,889,621 | \$ 199,831 |

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST
STATEMENT OF NET ASSETS – CONTINUED
SEPTEMBER 30, 2010**

| | Primary Government | | | Component Unit |
|--|----------------------------|---------------------------------|---------------------|---|
| | Governmental Activities | Business- Type Activities | Total | Development Development Corporation |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | \$ 366,949 | \$ 71,071 | \$ 438,020 | \$ - |
| Deposits | 1,841,351 | - | 1,841,351 | - |
| Due to primary government | - | - | - | 363 |
| Accrued interest payable | 25,787 | - | 25,787 | - |
| Funds held in escrow | - | - | - | - |
| Long-term debt | | | | |
| Due within one year | 655,604 | - | 655,604 | - |
| Due in more than one year | 1,593,248 | - | 1,593,248 | - |
| Total liabilities | 4,482,939 | 71,071 | 4,554,010 | 363 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 3,955,730.00 | - | 3,955,730 | 53,447.00 |
| Restricted for debt service | - | - | - | - |
| Unrestricted | 2,278,423 | - | 2,278,423 | 146,021 |
| TOTAL NET ASSETS | \$ 6,234,153 | \$ - | \$ 6,234,153 | \$ 199,468 |

**CITY OF WINDCREST, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

| Functions and Programs | Expenses | Program Revenues | | |
|---|-----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities | | | | |
| General government | \$ (1,328,506) | \$ 398,660 | \$ - | \$ - |
| Public safety | (2,212,779) | 345,476 | 12,183 | - |
| Public works | (1,296,176) | 296,182 | - | - |
| Animal control | (48,941) | 889 | - | - |
| Economic development | (243,801) | 206,679 | - | - |
| Special services | (270,179) | - | - | - |
| EMS/tech support | (291,313) | - | - | - |
| Loss on sale of equipment | (892) | - | - | - |
| Capital outlay | (181,370) | - | - | - |
| Interest on long-term debt | (102,169) | - | - | - |
| Total governmental activities | (5,976,126) | 1,247,886 | 12,183 | - |
| Business type activities | | | | |
| Garbage utility | (808,770) | 812,081 | - | - |
| Total business type activities | (808,770) | 812,081 | - | - |
| TOTAL PRIMARY GOVERNMENT | \$ (6,784,896) | \$ 2,059,967 | \$ 12,183 | \$ - |
| Component unit | | | | |
| Windcrest Economic Development Corporation | \$ (336,297) | \$ 50,000 | \$ - | \$ - |
| TOTAL COMPONENT UNIT | \$ (336,297) | \$ 50,000 | \$ - | \$ - |

General revenues

Taxes

Property taxes

Nonproperty taxes

Interest and investment earnings

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

The Notes to Basic Financial Statements
are an integral part of this statement.

| Net Revenue (Expense) | | | Component Unit |
|----------------------------|-----------------------------|--------------|--|
| Primary Government | | | |
| Governmental Activities | Business type Activities | Total | Economic Development Corporation |
| \$ (929,846) | \$ - | \$ (929,846) | \$ - |
| (1,855,120) | - | (1,855,120) | - |
| (999,994) | - | (999,994) | - |
| (48,052) | - | (48,052) | - |
| (37,122) | - | (37,122) | - |
| (270,179) | - | (270,179) | - |
| (291,313) | - | (291,313) | - |
| (892) | - | (892) | - |
| (181,370) | - | (181,370) | - |
| (102,169) | - | (102,169) | - |
| (4,716,057) | - | (4,716,057) | - |
| - | 3,311 | 3,311 | - |
| - | 3,311 | 3,311 | - |
| (4,716,057) | 3,311 | (4,712,746) | - |
| - | - | - | (286,297) |
| - | - | - | (286,297) |
| 1,953,924 | - | 1,953,924 | - |
| 2,935,174 | - | 2,935,174 | 329,373 |
| 11,515 | 1,666 | 13,181 | - |
| 4,900,613 | 1,666 | 4,902,279 | 329,373 |
| 184,556 | 4,977 | 189,533 | 43,076 |
| 6,049,597 | 96,481 | 6,146,078 | 156,392 |
| \$ 6,234,153 | \$ 101,458 | \$ 6,335,611 | \$ 199,468 |

**CITY OF WINDCREST, TEXAS
BALANCE SHEET –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

| | General Fund | Capital Projects Fund |
|--|-------------------------|--------------------------------------|
| ASSETS | | |
| Cash and investments | \$ 1,532,456 | \$ 369,363 |
| Receivables (net of allowances for uncollectibles) | | |
| Taxes | 25,534 | - |
| Accounts | 319,636 | 58,046 |
| Due from other funds | 3,620 | - |
| Due from component unit | 363 | - |
| Restricted assets | | |
| Cash and investments | 1,831,107 | - |
| Prepaid items | 25,807 | - |
| TOTAL ASSETS | \$ 3,738,523 | \$ 427,409 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 151,787 | \$ - |
| Accrued liabilities | 215,162 | - |
| Deposits | 1,841,351 | - |
| Deferred revenue | 34,260 | - |
| Due to other funds | - | 2,490 |
| Total liabilities | 2,242,560 | 2,490 |
| Fund balances | | |
| Unreserved/designated | | |
| Special projects and contingencies | 796,559 | - |
| Unreserved/undesignated reported in | | |
| General fund | 699,404 | - |
| Capital projects fund | - | 424,919 |
| Special revenue funds | - | - |
| Debt service fund | - | - |
| Total fund balances | 1,495,963 | 424,919 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,738,523 | \$ 427,409 |

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

| Debt Service Fund | Other Non-major Governmental Funds | Total Governmental Funds |
|----------------------------------|---|---|
| <u>\$ 14,449</u> | <u>\$ 266,174</u> | <u>\$ 2,182,442</u> |
| - | - | 25,534 |
| - | 62,184 | 439,866 |
| - | - | 3,620 |
| - | - | 363 |
| - | - | 1,831,107 |
| - | - | 25,807 |
| <u>\$ 14,449</u> | <u>\$ 328,358</u> | <u>\$ 4,508,739</u> |
| \$ - | \$ - | \$ 151,787 |
| - | - | 215,162 |
| - | - | 1,841,351 |
| - | - | 34,260 |
| - | 1,130 | 3,620 |
| - | 1,130 | 2,246,180 |
| - | - | 796,559 |
| - | - | 699,404 |
| - | - | 424,919 |
| - | 327,228 | 327,228 |
| 14,449 | - | 14,449 |
| <u>14,449</u> | <u>327,228</u> | <u>2,262,559</u> |
| <u>\$ 14,449</u> | <u>\$ 328,358</u> | <u>\$ 4,508,739</u> |

**CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

| | |
|--|---------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUNDS | \$ 2,262,559 |
|--|---------------------|

Amounts reported for governmental activities in the Statement of
Net Assets are different because

| | |
|--|-----------|
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 6,204,583 |
|--|-----------|

| | |
|--|--------|
| Other long-term assets are not available to pay for current- period expenditures and, therefore, are deferred in the funds. | 34,259 |
|--|--------|

| | |
|--|-------|
| Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | 7,391 |
|--|-------|

Long-term liabilities, including bonds payable, are not due
and payable in the current period and, therefore, not
reported in the funds

| | | |
|---------------------------|----------------|-------------|
| Bonds payable | \$ (1,750,000) | |
| Capital leases payable | (379,388) | |
| Compensated absences | (119,464) | |
| Accrued interest on bonds | (25,787) | (2,274,639) |

| | |
|--|---------------------|
| TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ 6,234,153 |
|--|---------------------|

**CITY OF WINDCREST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

| | General Fund | Capital Projects Fund |
|---|-------------------------|--------------------------------------|
| REVENUES | | |
| Taxes | \$ 3,686,131 | \$ 329,006 |
| Licenses and permits | 230,670 | - |
| Intergovernmental | 12,182 | - |
| Court | 327,526 | - |
| Charges for services | 79,593 | - |
| Interest | 7,688 | 2,010 |
| Other revenue | 559,903 | - |
| TOTAL REVENUES | 4,903,693 | 331,016 |
| EXPENDITURES | | |
| Current | | |
| General government | 1,277,901 | - |
| Public safety | 1,801,765 | - |
| Public works | 841,197 | - |
| Animal control | 48,449 | - |
| Economic development | 243,801 | - |
| Special services | 248,890 | - |
| EMS/tech support | 270,111 | - |
| Capital outlay | 25,010 | 168,747 |
| Debt service | | |
| Principal | 117,111 | - |
| Interest and fiscal charges | 15,101 | - |
| TOTAL EXPENDITURES | 4,889,336 | 168,747 |
| Excess (deficiency) of revenues over (under) expenditures | 14,357 | 162,269 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer from other funds | 97,872 | - |
| Transfer to other funds | - | (133,000) |
| Proceeds from capital leases financing | 37,927 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 135,799 | (133,000) |
| Net change in fund balances | 150,156 | 29,269 |
| FUND BALANCES, beginning of year | 1,345,807 | 395,650 |
| FUND BALANCES, end of year | \$ 1,495,963 | \$ 424,919 |

The Notes to Basic Financial Statements
are an integral part of this statement.

| Debt Service Fund | Other Non-major Governmental Funds | Total Governmental Funds |
|----------------------------------|---|---|
| <u>\$ 331,221</u> | <u>\$ 529,155</u> | <u>\$ 4,875,513</u> |
| - | 17,950 | 248,620 |
| - | 27,044 | 39,226 |
| - | - | 327,526 |
| - | 2,935 | 82,528 |
| 165 | 1,654 | 11,517 |
| - | 2,330 | 562,233 |
| <u>331,386</u> | <u>581,068</u> | <u>6,147,163</u> |
| - | - | 1,277,901 |
| - | 287,900 | 2,089,665 |
| - | - | 841,197 |
| - | - | 48,449 |
| - | - | 243,801 |
| - | - | 248,890 |
| - | - | 270,111 |
| - | 7,575 | 201,332 |
| 515,000 | 110,360 | 742,471 |
| <u>77,278</u> | <u>13,310</u> | <u>105,689</u> |
| <u>592,278</u> | <u>419,145</u> | <u>6,069,506</u> |
| (260,892) | 161,923 | 77,657 |
| 245,068 | - | 342,940 |
| - | (209,940) | (342,940) |
| - | - | 37,927 |
| <u>245,068</u> | <u>(209,940)</u> | <u>37,927</u> |
| (15,824) | (48,017) | 115,584 |
| <u>30,273</u> | <u>375,245</u> | <u>2,146,975</u> |
| <u>\$ 14,449</u> | <u>\$ 327,228</u> | <u>\$ 2,262,559</u> |

**CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

| | |
|---|-------------------|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | \$ 115,584 |
|---|-------------------|

Amounts reported for governmental activities in the Statement
of Activities are different because

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay. | (646,788) |
|--|-----------|

| | |
|---|-------|
| Proceeds from capital asset dispositions produce current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is the net book value of capital assets disposed. | (958) |
|---|-------|

| | |
|--|--------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 13,585 |
|--|--------|

The issuance of long-term-debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

| | |
|----------------------------------|----------|
| Bond principal payments | 515,000 |
| Capital leases proceeds | (37,927) |
| Capital lease principal payments | 227,471 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|----------------------------|---------|
| Compensated absences | (4,930) |
| Accrued interest on debt | 7,214 |
| Amortization of bond costs | (3,695) |

| | |
|--|-------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ 184,556 |
|--|-------------------|

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2010**

| | Business Type Activities Garbage Utility Fund |
|--|--|
| ASSETS | |
| Cash | \$ 123,348 |
| Accounts receivable (net of allowances for uncollectibles) | <u>49,181</u> |
| Total assets | 172,529 |
| LIABILITIES | |
| Liabilities | |
| Accounts payable | <u>71,071</u> |
| Total liabilities | 71,071 |
| NET ASSETS | |
| Unrestricted | <u>101,458</u> |
| TOTAL NET ASSETS | <u><u>\$ 101,458</u></u> |

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010**

| | Business Type Activities Garbage Utility Fund |
|--------------------------------------|--|
| OPERATING REVENUES | |
| Commercial customer charges | \$ 313,367 |
| Residential customer charges | 483,710 |
| Other charges | <u>15,004</u> |
| Total operating revenues | 812,081 |
| OPERATING EXPENSES | |
| Commercial contract sanitation | 285,714 |
| Residential contract sanitation | 418,479 |
| Administrative expenses | <u>104,577</u> |
| Total operating expenses | 808,770 |
| OPERATING INCOME | <u>3,311</u> |
| NONOPERATING REVENUES | |
| Interest income | <u>1,666</u> |
| Total nonoperating revenues | <u>1,666</u> |
| CHANGE IN NET ASSETS | 4,977 |
| NET ASSETS, beginning of year | <u>96,481</u> |
| NET ASSETS, end of year | <u><u>\$ 101,458</u></u> |

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST, TEXAS
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010**

| | Business-Type Activities Garbage Utility Fund |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 787,470 |
| Cash paid to suppliers | <u>(796,210)</u> |
| Net cash used by operating activities | (8,740) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>1,666</u> |
| Net cash provided by investing activities | <u>1,666</u> |
| Net decrease in cash | (7,074) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>130,422</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 123,348</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 3,311 |
| Adjustments to reconcile operating income to net cash used by operating activities | |
| Increase in accounts receivable | (24,611) |
| Increase in accounts payable | 12,745 |
| Decrease in due to other funds | <u>(185)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u><u>\$ (8,740)</u></u> |

The Notes to Basic Financial Statements
are an integral part of this statement.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Windcrest have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply to all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

Reporting Entity

Component Unit As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. For financial reporting purposes the City of Windcrest Economic Development Corporation is presented as a discrete component unit. A copy of the City of Windcrest Economic Development Corporation's financial statements can be obtained from the City of Windcrest finance department.

The Windcrest Crime Control and Prevention District, an entity legally separate from the City, was created pursuant to Section 363.051, et. Seq. of the Crime Control District Act. The District was created September 20, 2004, to act on behalf of the City of Windcrest for promotion, development and enhancement of crime control and prevention within the City of Windcrest. The district is governed by a six-member board appointed by the City Council. For financial reporting purposes, the District is reported as if it were part of the City's operations because its purpose is to enhance the police activities and effectiveness of the City by subsidizing salaries, equipment, and other needs of crime control.

The City of Windcrest Economic Development Corporation, a nonprofit corporation, was incorporated under Vernon's Texas Civil Statutes, Section 4B, Article 5190.6. The Corporation is organized exclusively for the economic development and enhancement of the City of Windcrest. The City of Windcrest Economic Development Corporation (the Corporation) has seven (7) board members, approved by City Council.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide financial statements report information on all of the activities of the City. The effect of interfund transfers has been eliminated from the government-wide financial statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. The General Fund, Capital Projects Fund and Debt Service Fund meet criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented within Combining Statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, health and welfare, culture and recreation, and capital acquisition.

Capital Projects Fund is used to account for resources and expenditures relating to acquisition or major repair/upgrade of capital facilities.

Debt Service Fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on general long-term debt.

Non-major Funds include the special revenue funds.

Proprietary fund level financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's primary proprietary fund is the Garbage Utility Fund, used to account for the provision of garbage collection services.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (e.g. garbage collection services).

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City, which includes investments in local government investment pools.

Accounts Receivable

Property taxes are levied on each October 1, based on the assessed taxable value as of the prior January 1. Taxes are due October 1 and become past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

Accounts receivable/miscellaneous represent sales tax due the city on exchange transactions occurring in the City through September 30, 2010.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts within the General Fund, Debt Service Fund and Garbage Fund are based on management estimates which are derived from historical collection experience, current economic conditions and other pertinent data.

Short Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from" other funds or "due to" other funds on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Capital assets are

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>ASSETS</u> | <u>YEARS</u> |
|-----------------------------------|----------------|
| Buildings and improvements | 20 to 50 years |
| Improvements other than buildings | 20 to 50 years |
| Furniture and equipment | 5 to 10 years |

General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Compensated Absences

The City permits employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, an employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Unused sick leave may be accumulated to certain limits. In the event of termination, no reimbursement is made for accumulated sick leave. No liability is reported for unpaid accumulated sick leave.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Deferred/Unearned Revenue

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. The City currently has no reservations of fund balance and has designated \$796,559 for special projects and contingencies.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates – Continued

and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation insurance.

Cash and Investments

Primary Government

At September 30, 2010, the carrying amount of the City's cash on hand was \$2,499,543 and the bank balance was \$2,611,249. Of the bank balance, \$500,000 was covered by federal deposit insurance and the City's depository had pledged securities having a market value of \$3,572,829 as collateral for the City's deposits. All of the City's cash was fully collateralized.

Discrete Component Unit

At September 30, 2010, the carrying amount of the City of Windcrest Economic Development Corporation deposits in bank were \$88,334 and the bank balance was \$126,824. All cash and deposits were insured by FDIC insurance.

Restricted Cash and Investments

Restricted cash in the amount of \$25,000 consists of a certificate of deposit that serves as a surety bond that was paid by a business during the construction of a restaurant within the City. It also includes \$1,806,107 of planned infrastructure funds held in escrow for the purpose of providing funding for developments in the Windsor Mall area.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act. Investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The City's investments at September 30, 2010 are as shown below:

| <u>Investment Type</u> | <u>Reported Value*</u> | <u>Weighted Average Maturity</u> | <u>Minimum Legal Rating</u> | <u>Rating as of September 30, 2010</u> |
|------------------------|----------------------------|--|---------------------------------|--|
| Primary government | | | | |
| TexPool | \$ 1,637,649 | 34 | AAA | AAAm |
| Component Unit | | | | |
| TexPool restricted | <u>5</u> | 34 | AAA | AAAm |
| Total Investments | <u><u>1,637,654</u></u> | | | |

* Reported value approximates market because share value is maintained at \$1.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 (Deposit and Investment Risk Disclosures) requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2010, the City's investments were all in TexPool, a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

Custodial Credit Risk – deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. At yearend, the City was not exposed to interest rate risk.

Foreign Currency Risk – is the risk that foreign exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Act and Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE 3. PROPERTY TAX

The City has contracted with the Bexar County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2010, the assessed tax rate for the City was \$.436495 per \$100 on an assessed valuation of \$455,648,755. This is broken out as \$.362654 per \$100 for general operations and \$.073841 per \$100 for interest and sinking. Total tax levy for fiscal year 2010 is \$1,989,202. As of September 30, 2010, the delinquent current taxes for 2009 were \$21,588.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2010, balances of interfund amounts receivable or payable have been recorded as follows:

| | <u>Due From</u> | <u>Due To</u> |
|--|--------------------------|--------------------------|
| Primary Government | | |
| General fund | | |
| Special revenue fund | \$ 735 | \$ - |
| Capital projects fund | 2,490 | - |
| SCG Fund | 395 | |
| Capital projects | | |
| General fund | - | 2,490 |
| SCG Fund | | |
| General fund | - | 395 |
| Special revenue fund | | |
| General fund | - | 735 |
| Total | <u><u>\$ 3,620</u></u> | <u><u>\$ 3,620</u></u> |
| Component Unit | | |
| Component unit | | |
| General fund | \$ - | \$ 363 |
| General fund | | |
| Component unit | 363 | - |
| Total | <u><u>\$ 363</u></u> | <u><u>\$ 363</u></u> |
| Interfund transfers were as follows | <u>Transfer in</u> | <u>Transfer out</u> |
| General fund | | |
| Special revenue fund | \$ 97,872 | \$ - |
| Capital projects fund | | |
| Debt service | - | 133,000 |
| Debt service fund | | |
| Capital projects fund | 133,000 | - |
| Special revenue fund | 112,068 | - |
| Special revenue | | |
| Debt service | - | 112,068 |
| General fund | - | 97,872 |
| Total | <u><u>\$ 342,940</u></u> | <u><u>\$ 342,940</u></u> |

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

| <i>Governmental Activities</i> | Balance October 1, 2009 | Additions | Disposals | Balance September 30, 2010 |
|---|----------------------------|---------------------|-----------------|-------------------------------|
| Land | \$ 269,345 | \$ - | \$ - | \$ 269,345 |
| Buildings and improvements | 2,337,175 | - | - | 2,337,175 |
| Improvements other than buildings | 5,097,866 | - | - | 5,097,866 |
| Furniture and equipment | 2,701,324 | 20,820 | (27,686) | 2,694,458 |
| Equipment under capital lease | 1,207,685 | - | - | 1,207,685 |
| Total | 11,613,395 | 20,820 | (27,686) | 11,606,529 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (1,166,018) | (244,537) | - | (1,410,555) |
| Improvements other than buildings | (937,980) | - | - | (937,980) |
| Furniture and equipment | (2,199,622) | (423,071) | 26,728 | (2,595,965) |
| Equipment under capital lease | (457,447) | - | - | (457,447) |
| | <u>(4,761,067)</u> | <u>(667,608)</u> | <u>26,728</u> | <u>(5,401,947)</u> |
| Governmental Capital Assets, Net | \$ 6,852,328 | \$ (646,788) | \$ (958) | \$ 6,204,582 |
| Discrete component unit (EDC) | | | | |
| Furniture and equipment | \$ 29,678 | \$ - | \$ - | \$ 29,678 |
| Vehicles | 16,368 | - | - | 16,368 |
| Buildings and improvements | 57,430 | - | - | 57,430 |
| Improvements other than buildings | 1,820 | - | - | 1,820 |
| Accumulated depreciation | (37,699) | (14,150) | - | (51,849) |
| | <u>\$ 67,597</u> | <u>\$ (14,150)</u> | <u>\$ -</u> | <u>\$ 53,447</u> |

Primary Government

Depreciation expense was charged to the governmental functions as follows

| | |
|---|-------------------|
| General government | \$ 47,113 |
| Public safety | 123,522 |
| Public works | 454,488 |
| Special services | 65 |
| EMS/tech support | 42,420 |
| Total depreciation expense - governmental activities | \$ 667,608 |

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT

Principal and interest due dates as well as interest rates are summarized below:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| \$2,545,000 Series 2008 General Obligation refunding Bonds, dated September 1, 2008, due in annual installments of \$390,000 to \$460,000, through November 1, 2014, interest at 3.49% | <u>\$ 1,750,000</u> |

The changes in general long-term debt during the year are summarized as follows:

| | Balance Outstanding October 1, 2009 | Additions | Payments | Balance Outstanding September 30, 2010 | Due Within One Year |
|--|---|------------------|---------------------|--|---------------------------|
| <u>Governmental Activities</u> | | | | | |
| 2002 Texas tax notes | \$ 110,000 | \$ - | \$ (110,000) | \$ - | \$ - |
| 2008 GO refunding bonds | 2,155,000 | - | (405,000) | 1,750,000 | 415,000 |
| Capital lease | 568,932 | 37,927 | (227,471) | 379,388 | 225,560 |
| Compensated absences | <u>114,534</u> | <u>4,930</u> | <u>-</u> | <u>119,464</u> | <u>15,044</u> |
| Total Long-Term Debt - Primary Government | <u>\$ 2,948,466</u> | <u>\$ 42,857</u> | <u>\$ (742,471)</u> | <u>\$ 2,248,852</u> | <u>\$ 655,604</u> |
| <u>Discrete Component Unit (EDC)</u> | | | | | |
| Capital lease | <u>\$ 4,311</u> | <u>\$ -</u> | <u>\$ (4,311)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Long-Term Debt- Component Unit | <u>\$ 4,311</u> | <u>\$ -</u> | <u>\$ (4,311)</u> | <u>\$ -</u> | <u>\$ -</u> |

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Maturities for general bonded debt over the remaining term are as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 415,000 | \$ 61,075 | \$ 476,075 |
| 2012 | 430,000 | 46,592 | 476,592 |
| 2013 | 445,000 | 31,585 | 476,585 |
| 2014 | <u>460,000</u> | <u>16,054</u> | <u>476,054</u> |
| Total | <u>\$ 1,750,000</u> | <u>\$ 155,306</u> | <u>\$ 1,905,306</u> |

Capital Leases – The City entered into capital leases for the purchase of police equipment. The leases qualify as capital leases for accounting purposes as defined by GAAP and therefore have been recorded at the present value of future minimum lease payments at the date of inception.

| <u>Fiscal year September 30</u> | <u>Primary Government</u> |
|--------------------------------------|-------------------------------|
| 2011 | \$ 238,749 |
| 2012 | <u>162,381</u> |
| Total | 401,130 |
| Less amount representing interest | <u>21,742</u> |
| | <u>\$ 379,388</u> |

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 800 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service, or with 20 years of service regardless of age. An employee is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEMS – CONTINUED

Texas Municipal Retirement System – Continued

Contributions

The contribution rate for the employees is 6% of the employee rate, while the City's matching ratio is currently 1.5 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. At September 30, 2010, the City had funded the plan 100% and, therefore, has no net pension obligation.

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

| Valuation Date | December 31, 2007 | December 31, 2008 | December 31, 2009 |
|-------------------------------|---------------------------|---------------------------|---------------------------|
| Actuarial cost method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization method | Level percent of payroll | Level percent of payroll | Level percent of payroll |
| Remaining amortization period | 30 years - closed period | 29 years - closed period | 28 years - closed period |
| Asset valuation method | Amortized cost | Amortized cost | 10- year Smoothed Market |
| Investment rate of return | 7.00% | 7.50% | 7.50% |
| Projected salary increases | Varies by age and service | Varies by age and service | Varies by age and service |
| Inflation rate | 3.00% | 3.00% | 3.00% |
| Cost of living adjustments | 2.10% | 2.10% | 2.10% |
| City specific assumptions | | | |
| Payroll growth assumption | 3.00% | 3.00% | 3.00% |

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEMS – CONTINUED

Texas Municipal Retirement System – Continued

Contributions – Continued

The funded status as of December 31, 2009, the most recent actuarial date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|-----------------|------------------------|--------------------|---|
| December 31, 2009 | \$ 3,934,275 | \$ 4,998,761 | 78.7% | \$ 1,064,486 | \$ 2,484,657 | 42.8% |

Schedule of Funding Progress

| Fiscal Year | Pension | | | SDBF | | |
|----------------|--------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------------------|---------------------------|
| | Annual Pension Cost(APC) | Percentage of APC Contribution | Net Pension Obligation | Annual Pension Cost(APC) | Percentage of APC Contribution | Net Pension Obligation |
| 2008 | \$ 144,845 | 100% | - | \$ 4,480 | 100% | - |
| 2009 | 174,508 | 100% | - | 5,782 | 100% | - |
| 2010 | 226,247 | 100% | - | 6,587 | 100% | - |

Additional supplementary three-year trend information may be found on page 51.

Other Post-Employment Benefits

The City also contributes to the Supplemental Death Benefits Fund (SDBF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by TMRS. SDBF provides life insurance to active and retired employees of participating municipalities. SDBF is a separate trust administered by the TMRS Board of Trustees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Participating municipalities are contractually required to contribute at a rate assessed each year by TMRS based upon annual covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contribution to the TMRS SDBR for the year ended 2010, was \$6,587 and equaled the required contribution.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. RISK MANAGEMENT

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2010, were \$148,852.

NOTE 9. CONDUIT DEBT OBLIGATIONS

Discrete Component Unit

The revitalization and redevelopment of the Walzem Road area includes the redevelopment of Windsor Park Mall (the Mall) for the purpose of providing corporate headquarters to Rackspace U.S., Inc., an internet storage company that plans to relocate a total of 4,500 full-time jobs to the City.

The terms of the agreement call for a long-term direct financing lease to purchase and transfer the Mall to Rackspace U.S., Inc. The Corporation served as a conduit to the transaction and holds title to the Mall in trust for the parties to the transaction, consisting of City of Windcrest, Windcrest Economic Development Company, LLC, (the Developer) and Rackspace U.S., Inc. (the Leasee).

Pursuant to the lease agreement, Rackspace U.S., Inc., advanced \$5,000,000 to the Corporation for the purpose of providing funding to the Developer for infrastructure improvements. The Corporation held the funds in escrow pending development of the planned infrastructure, at which time the funds will be reimbursed for such infrastructure. The Corporation and the City liability for infrastructure is limited to the amount of the original escrowed funds, including interest earned minus other agreed upon costs. As of September 30, 2010 there was a balance of \$1,806,107 of escrowed funds remaining in Frost Bank.

**CITY OF WINDCREST
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. CONDUIT DEBT OBLIGATIONS – CONTINUED

Discrete Component Unit – Continued

The Corporation has also served as a conduit to facilitate the purchase of various tracts of land in the surrounding region for the purpose of development of multi-family housing, retail, office, restaurant, entertainment facilities, and single-family neighborhoods. The Corporation holds the various tracts in trust for the Developer (beneficiary). The tracts are secured by deeds of trust subject to various liens. The liens do not represent debt of the Corporation or the City, and accordingly, have not been reported in the accompanying financial statements. As of September 30, 2010, outstanding liens on the various tracts from the Walzem Road Revitalization Program were \$32,483,737.

NOTE 10. RELATED PARTY TRANSACTIONS

A former City Manager is the brother to one of the previous principles of the Corporation which is the developer of the Walzem Road Revitalization Program (see note 9). The current acting City Manager has no relation to the Walzem Road Revitalization Program.

NOTE 11. SUBSEQUENT EVENTS

Subsequent to year end the City of Windcrest and the City of Windcrest Economic Development Corporation filed a legal petition for cause of action and for declaratory judgments against a former City Manager.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Funding Progress Defined Benefit

**CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final budget- Positive (Negative)</u> |
|------------------------------------|----------------------------|----------------------------|----------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | | | | |
| Ad valorem tax | <u>\$ 1,711,407</u> | <u>\$ 1,711,407</u> | <u>\$ 1,609,118</u> | <u>\$ (102,289)</u> |
| Total property taxes | 1,711,407 | 1,711,407 | 1,609,118 | (102,289) |
| Non-property taxes | | | | |
| Sales tax | 1,740,000 | 1,740,000 | 1,658,340 | (81,660) |
| Franchise taxes | 376,500 | 376,500 | 400,584 | 24,084 |
| Mixed drink tax | <u>19,000</u> | <u>19,000</u> | <u>18,089</u> | <u>(911)</u> |
| Total non-property taxes | 2,135,500 | 2,135,500 | 2,077,013 | (58,487) |
| Licenses and permits | 213,800 | 213,800 | 230,670 | 16,870 |
| Public safety revenue | | | | |
| Municipal court fines | <u>350,000</u> | <u>350,000</u> | <u>327,526</u> | <u>(22,474)</u> |
| Total public safety revenue | 350,000 | 350,000 | 327,526 | (22,474) |
| Charges for services | | | | |
| Swimming pool fees | 30,000 | 30,000 | 28,399 | (1,601) |
| Vehicle storage fees | 18,500 | 18,500 | 19,342 | 842 |
| Civic center fees | 25,000 | 25,000 | 20,313 | (4,687) |
| Other miscellaneous fees | <u>12,300</u> | <u>12,300</u> | <u>11,539</u> | <u>(761)</u> |
| Total charges for services | 85,800 | 85,800 | 79,593 | (6,207) |
| Other revenue | | | | |
| Post office subsidy | 25,000 | 25,000 | 25,000 | - |
| EDC reimbursement | 225,046 | 225,046 | 206,411 | (18,635) |
| WCCPD reimbursement | 203,964 | 203,964 | 201,182 | (2,782) |
| Garbage admin transfer | 95,000 | 95,000 | 95,000 | - |
| Interest income | 20,000 | 20,000 | 7,688 | (12,312) |
| Grant proceeds | 10,913 | 10,913 | 12,182 | 1,269 |
| Contributions | - | - | - | - |
| Other miscellaneous income | <u>40,000</u> | <u>40,000</u> | <u>32,310</u> | <u>(7,690)</u> |
| Total other revenue | 619,923 | 619,923 | 579,773 | (40,150) |
| TOTAL REVENUES | <u><u>\$ 5,116,430</u></u> | <u><u>\$ 5,116,430</u></u> | <u><u>\$ 4,903,693</u></u> | <u><u>\$ (212,737)</u></u> |

**CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------|-----------------------|--------------|---------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amount</u> | <u>Final budget- Positive (Negative)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Administrative/City Management | | | | |
| Salaries and benefits | \$ 398,184 | \$ 370,384 | \$ 337,081 | \$ 33,303 |
| Contractual services | - | - | - | - |
| Other charges and services | 40,300 | 39,300 | 33,222 | 6,078 |
| Total administrative | 438,484 | 409,684 | 370,303 | 39,381 |
| Facility division | | | | |
| Salaries and benefits | - | - | - | - |
| Contractual services | - | - | - | - |
| Other charges and services | 75,470 | 75,470 | 75,905 | (435) |
| Capital outlay | - | - | - | - |
| Total facility division | 75,470 | 75,470 | 75,905 | (435) |
| Nondepartmental | | | | |
| Legal | 49,000 | 247,484 | 249,082 | (1,598) |
| EMS | 70,000 | 70,000 | 70,000 | - |
| Municipal insurance | 70,000 | 66,500 | 57,499 | 9,001 |
| Mobility impaired transport | 12,000 | 12,000 | 12,000 | - |
| Other contractual services | 72,600 | 80,664 | 78,131 | 2,533 |
| Total nondepartmental | 273,600 | 476,648 | 466,712 | 9,936 |
| TOTAL GENERAL GOVERNMENT | 787,554 | 961,802 | 912,920 | 48,882 |
| Public safety | | | | |
| Police department | | | | |
| Salaries and benefits | 1,299,870 | 1,298,070 | 1,226,189 | 71,881 |
| Contractual services | - | - | - | - |
| Other charges and services | 38,500 | 38,500 | 22,944 | 15,556 |
| Capital outlay | 3,400 | 3,400 | 3,251 | 149 |
| Total police department | 1,341,770 | 1,339,970 | 1,252,384 | 87,586 |

**CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|------------------|------------------|--|
| | Original | Final | Amounts | Final budget- Positive (Negative) |
| Public safety (continued) | | | | |
| Fire department | | | | |
| Salaries and benefits | \$ 182,965 | \$ 182,965 | \$ 177,367 | \$ 5,598 |
| Contractual services | 4,500 | 4,500 | 3,570 | 930 |
| Other charges and services | 38,900 | 38,900 | 37,211 | 1,689 |
| Capital outlay | - | 20,821 | 20,821 | - |
| Total fire department | 226,365 | 247,186 | 238,969 | 8,217 |
| Inspection | | | | |
| Salaries and benefits | 117,345 | 117,345 | 118,072 | (727) |
| Contractual services | 8,500 | 8,500 | 3,451 | 5,049 |
| Other charges and services | - | - | - | - |
| Total inspection | 125,845 | 125,845 | 121,523 | 4,322 |
| Municipal court | | | | |
| Salaries and benefits | 187,126 | 187,126 | 177,916 | 9,210 |
| Contractual services | 33,219 | 33,219 | 28,798 | 4,421 |
| Other charges and services | 11,350 | 11,350 | 6,247 | 5,103 |
| Total municipal court | 231,695 | 231,695 | 212,961 | 18,734 |
| TOTAL PUBLIC SAFETY | 1,925,675 | 1,944,696 | 1,825,837 | 118,859 |
| Public works | | | | |
| Public works department | | | | |
| Salaries and benefits | 472,924 | 473,474 | 469,905 | 3,569 |
| Contractual services | 750 | 200 | 147 | 53 |
| Other charges and services | 78,700 | 76,300 | 78,706 | (2,406) |
| Total public works department | 552,374 | 549,974 | 548,758 | 1,216 |
| Fleet department | | | | |
| Salaries and benefits | 39,012 | 39,012 | 33,741 | 5,271 |
| Other charges and services | 121,050 | 121,080 | 115,519 | 5,561 |
| Total fleet department | 160,062 | 160,092 | 149,260 | 10,832 |

**CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|----------------|----------------|--|
| | Original | Final | Amounts | Final budget- Positive (Negative) |
| Public works (continued) | | | | |
| Parks & recreation department | | | | |
| Salaries and benefits | \$ 40,916 | \$ 57,216 | \$ 58,411 | \$ (1,195) |
| Contractual services | 37,500 | 42,000 | 33,821 | 8,179 |
| Other charges and services | 44,950 | 42,850 | 50,947 | (8,097) |
| Capital outlay | - | 10,913 | - | 10,913 |
| Total parks & recreation department | 123,366 | 152,979 | 143,179 | 9,800 |
| TOTAL PUBLIC WORKS | 835,802 | 863,045 | 841,197 | 21,848 |
| Animal control | | | | |
| Salaries and benefits | 40,447 | 40,447 | 40,018 | 429 |
| Contractual services | 8,700 | 8,700 | 8,431 | 269 |
| TOTAL ANIMAL CONTROL | 49,147 | 49,147 | 48,449 | 698 |
| Economic development | | | | |
| Salaries and benefits | 245,046 | 245,046 | 243,801 | 1,245 |
| TOTAL ECONOMIC DEVELOPMENT | 245,046 | 245,046 | 243,801 | 1,245 |
| EMS/tech support | | | | |
| Salaries and benefits | 129,243 | 129,243 | 125,611 | 3,632 |
| Contractual services | 110,215 | 110,215 | 96,130 | 14,085 |
| Other charges and services | 66,546 | 66,546 | 48,370 | 18,176 |
| Capital outlay | 1,000 | 1,000 | 938 | 62 |
| TOTAL EMS/tech support | 307,004 | 307,004 | 271,049 | 35,955 |
| Crime control and prevention district | | | | |
| Salaries and benefits | 203,962 | 205,762 | 203,649 | 2,113 |
| TOTAL CRIME CONTROL AND PREVENTION DISTRICT | 203,962 | 205,762 | 203,649 | 2,113 |
| Special services | | | | |
| Salaries and benefits | - | - | - | - |
| Contractual services | - | - | - | - |
| Other charges and services | 76,401 | 76,401 | 45,241 | 31,160 |
| Capital outlay | - | - | - | - |
| TOTAL SPECIAL SERVICES | 76,401 | 76,401 | 45,241 | 31,160 |

CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-----------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final budget- Positive (Negative)</u> |
| Expenditures (continued) | | | | |
| Other departments | | | | |
| Civic center | \$ 126,259 | \$ 126,259 | \$ 120,197 | \$ 6,062 |
| Post office | 53,487 | 53,487 | 49,634 | 3,853 |
| TOTAL OTHER DEPARTMENTS | 179,746 | 179,746 | 169,831 | 9,915 |
| Finance | | | | |
| Salaries and benefits | 190,678 | 190,678 | 191,762 | (1,084) |
| Contractual services | - | - | - | - |
| Other charges and services | 6,700 | 6,700 | 3,388 | 3,312 |
| Capital outlay | - | - | - | - |
| Total finance | 197,378 | 197,378 | 195,150 | 2,228 |
| Debt service | | | | |
| Capital lease principal | 100,141 | 100,141 | 117,111 | (16,970) |
| Capital lease interest | 15,101 | 15,101 | 15,101 | - |
| Total debt service | 115,242 | 115,242 | 132,212 | (16,970) |
| TOTAL EXPENDITURES | 4,922,957 | 5,145,269 | 4,889,336 | 255,933 |
| Excess (deficiency) of revenues over (under) expenditures | 193,473 | (28,839) | 14,357 | (43,196) |
| Other financing sources (uses) | | | | |
| Transfer in | 97,872 | 97,872 | 97,872 | - |
| Proceeds from capital lease | - | 20,821 | 37,927 | (17,106) |
| TOTAL OTHER FINANCING SOURCES (USES) | 97,872 | 118,693 | 135,799 | (17,106) |
| Net change in fund balance | 291,345 | 89,854 | 150,156 | (60,302) |
| FUND BALANCE, beginning of year | 1,789,914 | 1,367,581 | 1,345,807 | 21,774 |
| FUND BALANCE, end of year | <u>\$ 2,081,259</u> | <u>\$ 1,457,435</u> | <u>\$ 1,495,963</u> | <u>(38,528)</u> |

CITY OF WINDCREST, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2010

Budgetary Information – Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets; General Fund, Economic Development Corporation (Component Unit), Garbage Fund, Debt Service Fund and Crime Control District. No budget was adopted for the Special Revenue Funds or Capital Projects Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

**CITY OF WINDCREST, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION –
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS –
LAST THREE FISCAL YEARS**

| Calendar Year | Actuarial Value of Assets** | Actuarial Accrued Liability* | Funding Ratio | Unfunded Actuarial Accrued Liability | Annual Covered Payroll | Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------|--|---|--------------------------|---|---------------------------------------|--|
| 2007 | \$ 3,210,300 | \$ 3,940,293 | 81.5% | \$ 729,993 | \$ 1,989,024 | 36.7% |
| 2008 | 3,441,960 | 4,446,186 | 77.4% | 1,004,226 | 2,420,533 | 41.5% |
| 2009 | 3,934,275 | 4,998,761 | 78.7% | 1,064,486 | 2,484,657 | 42.8% |

* As of December 31 the preceding year, the date of the actuarial valuation.

** Assets are stated cost as of December 31 of the preceding year.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements; but are presented for purposes of additional analysis.

Such statements include:

Combining Statements – Non-major Governmental Funds

**CITY OF WINDCREST, TEXAS
COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted (either legally or by Council designation) to expenditures for a specific purpose.

School Crossing Guard Fund – used to account for revenues restricted by the state to provide for school crossing guards and maintenance of school zones.

D. A. R. E. Fund – used to account for revenues segregated for Drug Abuse Resistance Education (D. A. R. E.)

Asset Seizure and Forfeiture Fund – revenues provided by police seizures restricted by the state to provide crime prevention and detection.

County Fire Contribution Fund – used to account for funds provided by Bexar County to offset expenses incurred in providing fire protection outside City limits.

Police Donations Fund – used to account for donations provided and expenses incurred for police protection within the City of Windcrest, Texas.

Police Education and Training – used to account for L.E.O.S.E. funds received from the state to be used for police education and training.

Roosevelt Scholarship Fund – developed from donations of the Windfest Family Fun Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

Court Technology Fund – used to account for fees assessed on fines for the purpose of improving technology.

Building Security Fund – used to account for fees assessed for providing security to City facilities.

Hotel/Motel Tax Fund – used to account for hotel occupancy tax collected to pay off long-term debt.

Crime Control and Prevention District (Component Unit) – is used to account for sales tax proceeds collected to support crime control and prevention.

**CITY OF WINDCREST, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

| | <u>School Crossing Guard Fund</u> | <u>D.A.R.E Fund</u> | <u>Asset Seizure and Forfeiture Fund</u> | <u>County Fire Contribution Fund</u> | <u>Police Donations Fund</u> |
|---|---|-------------------------|--|--|--------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 33,399 | \$ 320 | \$ 18,237 | \$ 15,108 | \$ 2,865 |
| Accounts receivable | 477 | - | - | - | - |
| TOTAL ASSETS | <u>\$ 33,876</u> | <u>\$ 320</u> | <u>\$ 18,237</u> | <u>\$ 15,108</u> | <u>\$ 2,865</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Due to other funds | \$ 395 | \$ - | \$ - | \$ 584 | \$ - |
| Total liabilities | 395 | - | - | 584 | - |
| Fund balance | | | | | |
| Unreserved, undesignated | 33,481 | 320 | 18,237 | 14,524 | 2,865 |
| Total fund balance | <u>33,481</u> | <u>320</u> | <u>18,237</u> | <u>14,524</u> | <u>2,865</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 33,876</u> | <u>\$ 320</u> | <u>\$ 18,237</u> | <u>\$ 15,108</u> | <u>\$ 2,865</u> |

| Police Education and Training Fund | Roosevelt Scholarship Fund | Court Technology Fund | Building Security Fund | Hotel/Motel Tax Fund | Crime Control and Prevention District Fund | Totals |
|---|---|--------------------------------------|---------------------------------------|-------------------------------------|---|-------------------|
| \$ 8,702 | \$ 6,092 | \$ 8,816 | \$ 4,426 | \$ 41,511 | \$ 126,698 | \$ 266,174 |
| - | - | - | - | - | 61,707 | 62,184 |
| <u>\$ 8,702</u> | <u>\$ 6,092</u> | <u>\$ 8,816</u> | <u>\$ 4,426</u> | <u>\$ 41,511</u> | <u>\$ 188,405</u> | <u>\$ 328,358</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 151 | \$ 1,130 |
| - | - | - | - | - | 151 | 1,130 |
| <u>8,702</u> | <u>6,092</u> | <u>8,816</u> | <u>4,426</u> | <u>41,511</u> | <u>188,254</u> | <u>327,228</u> |
| <u>8,702</u> | <u>6,092</u> | <u>8,816</u> | <u>4,426</u> | <u>41,511</u> | <u>188,254</u> | <u>327,228</u> |
| <u>\$ 8,702</u> | <u>\$ 6,092</u> | <u>\$ 8,816</u> | <u>\$ 4,426</u> | <u>\$ 41,511</u> | <u>\$ 188,405</u> | <u>\$ 328,358</u> |

CITY OF WINDCREST, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

| | School Crossing Guard Fund | D.A.R.E. Fund | Asset Seizure and Forfeiture Fund | County Fire Contribution Fund | Police Donations Fund |
|---|---|--------------------------|--|--|--------------------------------------|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety revenue | - | - | - | - | - |
| Intergovernmental revenues | 5,927 | - | - | 19,321 | - |
| Donations | - | - | - | - | 1,300 |
| Miscellaneous income | 50 | - | 337 | - | - |
| Interest | 239 | 3 | 34 | 64 | 26 |
| | <u>6,216</u> | <u>3</u> | <u>371</u> | <u>19,385</u> | <u>1,326</u> |
| Total revenues | 6,216 | 3 | 371 | 19,385 | 1,326 |
| Expenditures | | | | | |
| Other expense | 830 | - | - | 18,444 | 1,463 |
| Capital outlay | - | - | - | 5,945 | - |
| Debt service | | | | | |
| Capital lease principal payment | - | - | - | - | - |
| Capital lease interest payment | - | - | - | - | - |
| | <u>830</u> | <u>-</u> | <u>-</u> | <u>24,389</u> | <u>1,463</u> |
| Total expenditures | 830 | - | - | 24,389 | 1,463 |
| Excess (deficiency) of revenues over (under) Expenditures | 5,386 | 3 | 371 | (5,004) | (137) |
| Other Financing sources (uses) | | | | | |
| Transfer to other funds | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 5,386 | 3 | 371 | (5,004) | (137) |
| Fund balances at beginning of year | <u>28,095</u> | <u>317</u> | <u>17,866</u> | <u>19,528</u> | <u>3,002</u> |
| Fund balances at end of year | <u>\$ 33,481</u> | <u>\$ 320</u> | <u>\$ 18,237</u> | <u>\$ 14,524</u> | <u>\$ 2,865</u> |

| Police Education and Training Fund | Roosevelt Scholarship Fund | Court Technology Fund | Building Security Fund | Hotel/Motel Tax Fund | Crime Control and Prevention District | Totals |
|---|---|--------------------------------------|---------------------------------------|-------------------------------------|--|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 159,970 | \$ 369,185 | \$ 529,155 |
| - | - | 10,257 | 7,693 | - | - | 17,950 |
| 1,796 | - | - | - | - | - | 27,044 |
| - | - | - | - | - | 1,030 | 2,330 |
| - | 2,548 | - | - | - | - | 2,935 |
| 67 | 31 | 24 | 37 | 202 | 927 | 1,654 |
| 1,863 | 2,579 | 10,281 | 7,730 | 160,172 | 371,142 | 581,068 |
| - | - | 66 | 439 | 30,900 | 235,758 | 287,900 |
| - | - | 1,630 | - | - | - | 7,575 |
| - | - | - | - | - | 110,360 | 110,360 |
| - | - | - | - | - | 13,310 | 13,310 |
| - | - | 1,696 | 439 | 30,900 | 359,428 | 419,145 |
| 1,863 | 2,579 | 8,585 | 7,291 | 129,272 | 11,714 | 161,923 |
| - | - | - | (10,000) | (199,940) | - | (209,940) |
| - | - | - | (10,000) | (199,940) | - | (209,940) |
| 1,863 | 2,579 | 8,585 | (2,709) | (70,668) | 11,714 | (48,017) |
| 6,839 | 3,513 | 231 | 7,135 | 112,179 | 176,540 | 375,245 |
| <u>\$ 8,702</u> | <u>\$ 6,092</u> | <u>\$ 8,816</u> | <u>\$ 4,426</u> | <u>\$ 41,511</u> | <u>\$ 188,254</u> | <u>\$ 327,228</u> |

STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

This part of the City of Windcrest's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

Financial Trends – Tables 1 through 4

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity – Tables 5 through 8

These schedules contain information to help the reader access the City's most significant local revenue source, the property tax.

Debt Capacity – Tables 9 through 11

These schedules present information to help the reader access the affordability of the City's current levels of outstanding debt, and our ability to issue additional debt.

Demographic and Economic Information – Table 12 and 13

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

DISCRETELY PRESENTED COMPONENT UNIT

**CITY OF WINDCREST, TEXAS
BALANCE SHEET -
CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

ASSETS

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 88,334 |
| Accounts receivable | 58,045 |
| Restricted assets | |
| Cash and cash equivalents | <u>5</u> |

| | |
|---------------------|--------------------------|
| TOTAL ASSETS | <u>\$ 146,384</u> |
|---------------------|--------------------------|

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|---------------------------|---------------|
| Due to primary government | <u>\$ 363</u> |
|---------------------------|---------------|

| | |
|--------------------------|------------|
| Total liabilities | 363 |
|--------------------------|------------|

FUND BALANCE

 Unreserved/Undesignated

| | |
|---------------------------|----------------|
| Total fund balance | <u>146,021</u> |
|---------------------------|----------------|

| | |
|---|--------------------------|
| Total liabilities and fund balance | <u>\$ 146,384</u> |
|---|--------------------------|

Amounts reported in the statement of net assets are different because

| | |
|---------------------------|-------------------|
| Total fund balance | \$ 146,021 |
|---------------------------|-------------------|

 Capital assets used in governmental activities are not financial

 resources and therefore are not reported as assets in governmental funds

53,447

| | |
|-------------------|--------------------------|
| NET ASSETS | <u>\$ 199,468</u> |
|-------------------|--------------------------|

CITY OF WINDCREST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION
YEAR ENDED SEPTEMBER 30, 2010

REVENUES

| | |
|--------------------------|---------------|
| Sales tax | \$ 329,006 |
| Interest | 367 |
| Other income-hotel motel | 30,000 |
| Miscellaneous | <u>20,000</u> |

| | |
|-----------------------|----------------|
| Total revenues | 379,373 |
|-----------------------|----------------|

EXPENDITURES

| | |
|-------------------------------|---------------|
| Current | |
| Support service-admin | 202,811 |
| Contract services | 51,509 |
| Supplies and postage | 12,859 |
| Economic development projects | <u>60,127</u> |

| | |
|---------------------------|-----------------------|
| Total expenditures | <u>327,306</u> |
|---------------------------|-----------------------|

| | |
|--------------------------------------|--------|
| Excess of revenues over expenditures | 52,067 |
|--------------------------------------|--------|

| | |
|--|----------------------|
| FUND BALANCE, beginning of year | <u>93,954</u> |
|--|----------------------|

| | |
|----------------------------------|---------------------------------|
| FUND BALANCE, end of year | <u><u>\$ 146,021</u></u> |
|----------------------------------|---------------------------------|

**CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –
CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION
YEAR ENDED SEPTEMBER 30, 2010**

| | |
|--|--------|
| EXCESS OF REVENUES OVER EXPENDITURES AS REPORTED IN THE FUND STATEMENTS | 52,067 |
|--|--------|

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation exceeded
capital outlays.

(14,150)

The issuance of long-term debt (e.g. capital leases) provides current
financial resources to governmental funds, while the repayment of
the principal of long-term debt consumes current financial resources.
Neither transaction, however, has any effect on net assets.

Capital lease principal

5,159

CHANGE IN NET ASSETS

43,076

TABLE 1

**CITY OF WINDCREST, TEXAS
NET ASSETS BY COMPONENT –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007* | 2008* | 2009* | 2010* |
| Governmental activities | | | | | |
| Invested in capital assets, (net of related debt) | \$ 522,656 | \$ 2,246,647 | \$ 3,634,291 | \$ 3,892,776 | \$ 3,955,730 |
| Restricted | - | - | 37,620 | 30,273 | 14,449 |
| Unrestricted | <u>4,817,707</u> | <u>3,079,362</u> | <u>2,407,120</u> | <u>2,126,548</u> | <u>2,263,974</u> |
| Total governmental activities Net assets | <u>\$ 5,340,363</u> | <u>\$ 5,326,009</u> | <u>\$ 6,079,031</u> | <u>\$ 6,049,597</u> | <u>\$ 6,234,153</u> |
| Business-type activities | | | | | |
| Invested in capital assets, Net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>30,225</u> | <u>40,393</u> | <u>56,112</u> | <u>96,481</u> | <u>109,649</u> |
| Total business-type activities Net assets | <u>\$ 30,225</u> | <u>\$ 40,393</u> | <u>\$ 56,112</u> | <u>\$ 96,481</u> | <u>\$ 109,649</u> |
| Primary government | | | | | |
| Invested in capital assets, Net of related debt | \$ 522,656 | \$ 2,246,647 | \$ 3,634,291 | \$ 3,892,776 | \$ 3,955,730 |
| Restricted | - | - | 37,620 | 30,273 | 14,449 |
| Unrestricted | <u>4,847,932</u> | <u>3,119,755</u> | <u>2,463,232</u> | <u>2,223,029</u> | <u>2,373,623</u> |
| Total primary government Net assets | <u>\$ 5,370,588</u> | <u>\$ 5,366,402</u> | <u>\$ 6,135,143</u> | <u>\$ 6,146,078</u> | <u>\$ 6,343,802</u> |

*Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007.
(See Note 1 to the basic financial statements).

TABLE 2

**CITY OF WINDCREST, TEXAS
CHANGE IN NET ASSETS –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| Expenses | 2006 | 2007* | Fiscal Year 2008* | 2009* | 2010* |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|
| Governmental activities | | | | | |
| General government | \$ 981,078 | \$ 1,117,780 | \$ 1,160,125 | \$ 1,412,819 | \$ 1,328,506 |
| Public safety | 1,585,964 | 1,493,804 | 1,820,471 | 2,150,486 | 2,212,779 |
| Public works | 666,177 | 893,629 | 1,260,839 | 1,290,905 | 1,296,176 |
| Animal control | 5,576 | 5,019 | 10,547 | 49,290 | 48,941 |
| Economic development | 483,888 | 367,109 | 540,042 | 197,712 | 243,801 |
| EMS/tech support | - | 191,364 | 205,468 | 343,686 | 270,179 |
| Special services | 137,349 | 110,106 | 137,093 | 274,195 | 291,313 |
| Loss on sale of equipment | | | | 3,386 | 892 |
| Capital outlay | 45,533 | 108,729 | 61,611 | 18,219 | 181,370 |
| Interest on long-term debt | 174,120 | 150,661 | 170,563 | 97,937 | 102,169 |
| Total governmental activities expenses | 4,079,685 | 4,438,201 | 5,366,759 | 5,838,635 | 5,976,126 |
| Business-type activities | | | | | |
| Garbage utility | 436,661 | 449,880 | 604,072 | 692,375 | 808,770 |
| Total business-type activities | 436,661 | 449,880 | 604,072 | 692,375 | 808,770 |
| Total primary government expenses | <u>\$ 4,516,346</u> | <u>\$ 4,888,081</u> | <u>\$ 5,970,831</u> | <u>\$ 6,531,010</u> | <u>\$ 6,784,896</u> |
| Program Revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General government | \$ 45,000 | \$ 55,000 | \$ 55,000 | \$ 416,796 | \$ 398,660 |
| Public safety | 266,565 | 231,799 | 697,554 | 359,334 | 345,476 |
| Public works | 295,774 | 236,636 | 511,802 | 164,681 | 296,182 |
| Animal Control | | | | 1,825 | 889 |
| Economic development | 74,987 | 137,776 | 195,922 | 196,558 | 206,679 |
| Special services | 67,297 | 70,256 | 68,112 | | |
| Operating grants and contributions | - | - | 63,198 | 16,794 | 12,183 |
| Total governmental activities program revenues | 749,623 | 731,467 | 1,591,588 | 1,155,988 | 1,260,069 |
| Business-type activities | | | | | |
| Charges for service | | | | | |
| Garbage utility | 443,943 | 457,119 | 617,048 | 730,143 | 812,081 |
| Total business-type activities program revenues | 443,943 | 457,119 | 617,048 | 730,143 | 812,081 |
| Total primary government program revenues | <u>\$ 1,193,566</u> | <u>\$ 1,188,586</u> | <u>\$ 2,208,636</u> | <u>\$ 1,886,131</u> | <u>\$ 2,072,150</u> |

* Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007. (See Note 1 to the basic financial statements).

TABLE 2 (cont')

**CITY OF WINDCREST, TEXAS
CHANGE IN NET ASSETS –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007* | 2008* | 2009* | 2010* |
| Net (expense) revenue | | | | | |
| Governmental activities | \$ (3,319,724) | \$ (3,492,863) | \$ (3,775,171) | \$ (4,682,647) | \$ (4,716,057) |
| Business-type activities | 7,282 | 7,239 | 2,976 | 37,768 | 11,502 |
| Total primary government net expenses | <u>\$ (3,312,442)</u> | <u>\$ (3,485,624)</u> | <u>\$ (3,762,195)</u> | <u>\$ (4,644,879)</u> | <u>\$ (4,704,555)</u> |
| Governmental revenues and other changes in net assets | | | | | |
| Governmental activities | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 1,547,103 | \$ 1,595,911 | \$ 1,767,558 | \$ 2,118,060 | \$ 1,953,924 |
| Nonproperty taxes | 2,683,493 | 2,328,914 | 2,624,980 | 2,508,686 | 2,935,174 |
| Interest and investment earnings | 280,085 | 175,293 | 77,945 | 26,467 | 11,515 |
| Miscellaneous | 38,929 | 103,712 | 76,390 | | |
| Total government activities | <u>4,549,610</u> | <u>4,203,830</u> | <u>4,546,873</u> | <u>4,653,213</u> | <u>4,900,613</u> |
| Business-type activities | | | | | |
| Interest and investment earnings | 2,303 | 2,929 | 2,743 | 2,601 | 1,666 |
| Total business-type activities | <u>2,303</u> | <u>2,929</u> | <u>2,743</u> | <u>2,601</u> | <u>1,666</u> |
| Total primary government | <u>\$ 4,551,913</u> | <u>\$ 4,206,759</u> | <u>\$ 4,549,616</u> | <u>\$ 4,655,814</u> | <u>\$ 4,902,279</u> |
| Changes in net assets | | | | | |
| Government activities | \$ 1,229,886 | \$ 710,967 | \$ 771,702 | \$ (29,434) | \$ 184,556 |
| Business-type activities | 9,585 | 10,168 | 15,719 | 40,369 | 13,168 |
| Total primary government | <u>\$ 1,239,471</u> | <u>\$ 721,135</u> | <u>\$ 787,421</u> | <u>\$ 10,935</u> | <u>\$ 197,724</u> |

* Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007. (See Note 1 to the basic financial statements).

TABLE 3

**CITY OF WINDCREST, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS –
LAST TEN FISCAL YEARS
(UNAUDITED)**

| | Fiscal Year | | | |
|------------------------------------|---------------------|-------------------|---------------------|---------------------|
| | 2001 | 2002 | 2003 | 2004 |
| General fund | | | | |
| Special projects and contingencies | \$ 435,000 | \$ 435,000 | \$ 465,000 | \$ 458,153 |
| Unreserved | 763,833 | 551,951 | 874,475 | 949,453 |
| Total general fund | <u>\$ 1,198,833</u> | <u>\$ 986,951</u> | <u>\$ 1,339,475</u> | <u>\$ 1,407,606</u> |
| All other governmental funds | | | | |
| Unreserved, reported in | | | | |
| Capital project funds | \$ - | \$ - | \$ 6,186 | \$ - |
| Debt service funds | - | - | - | 7,356 |
| Special revenue funds | 712,260 | 660,516 | 675,733 | 770,149 |
| Total all other governmental funds | <u>\$ 712,260</u> | <u>\$ 660,516</u> | <u>\$ 681,919</u> | <u>\$ 777,505</u> |

* Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007. (See Note 1 to the basic financial statements).

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2005 | 2006 | 2007* | 2008* | 2009* | 2010* |
| \$ 648,873 | \$ 773,873 | \$ 823,873 | \$ 914,693 | \$ 796,559 | \$ 796,559 |
| 1,094,691 | 1,191,839 | 1,077,948 | 873,705 | 549,248 | 699,404 |
| <u>\$ 1,743,564</u> | <u>\$ 1,965,712</u> | <u>\$ 1,901,821</u> | <u>\$ 1,788,398</u> | <u>\$ 1,345,807</u> | <u>\$ 1,495,963</u> |
| | | | | | |
| \$ 4,230,729 | \$ 1,881,216 | \$ 823,769 | \$ 286,654 | \$ 395,650 | \$ 424,919 |
| 9,108 | 9,148 | 9,333 | 37,620 | 30,273 | 14,449 |
| 903,397 | 1,055,350 | 449,543 | 439,250 | 375,245 | 327,228 |
| <u>\$ 5,143,234</u> | <u>\$ 2,945,714</u> | <u>\$ 1,282,645</u> | <u>\$ 763,524</u> | <u>\$ 801,168</u> | <u>\$ 766,596</u> |

TABLE 4

**CITY OF WINDCREST, TEXAS
CHANGES IN FUND BALANCE –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|---------------------|---------------------|-------------------|
| | 2006 | 2007* | 2008* | 2009* | 2010* |
| REVENUES | | | | | |
| Taxes | \$ 4,216,211 | \$ 3,934,965 | \$ 4,397,581 | \$ 4,645,184 | \$ 4,875,513 |
| Licenses and permits | 259,458 | 198,058 | 473,197 | 207,326 | 248,620 |
| Intergovernmental | - | 213,871 | 63,197 | 43,531 | 39,226 |
| Court | 224,011 | 230,653 | 300,961 | 339,807 | 327,526 |
| Charges for services | 82,894 | 83,833 | 81,716 | 102,985 | 82,528 |
| Interest | 280,085 | 175,293 | 77,945 | 26,467 | 11,517 |
| Miscellaneous | 232,087 | 331,271 | 691,442 | 452,180 | 562,233 |
| TOTAL REVENUES | 5,294,746 | 5,167,944 | 6,086,039 | 5,817,480 | 6,147,163 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 903,384 | 989,447 | 1,091,009 | 1,362,109 | 1,277,901 |
| Public safety | 1,545,025 | 1,535,718 | 1,847,022 | 2,028,763 | 2,089,665 |
| Public works | 593,477 | 695,335 | 868,356 | 807,129 | 841,197 |
| Animal control | 5,576 | 4,723 | 10,547 | 48,646 | 48,449 |
| Economic development | 319,595 | 226,881 | 349,452 | 197,712 | 243,801 |
| EMS tech support | 154,981 | 187,344 | 203,200 | 343,612 | 270,111 |
| Special services | 218,226 | 112,048 | 138,151 | 233,343 | 248,890 |
| Capital projects/outlays | 2,914,756 | 1,701,940 | 1,522,431 | 392,913 | 201,332 |
| Debt service | | | 3,472,992 | - | |
| Principal | 630,000 | 837,969 | 191,284 | 756,851 | 742,471 |
| Interest and fiscal charges | 123,756 | 156,464 | 9,700 | 94,858 | 105,689 |
| Bond issue costs | - | - | - | 300 | - |
| TOTAL EXPENDITURES | 7,408,776 | 6,447,869 | 9,704,144 | 6,266,236 | 6,069,506 |
| Excess (deficiency) of revenues over (under) expenditures | (2,114,030) | (1,279,925) | (3,618,105) | (448,756) | 77,657 |
| OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| Proceeds from capital lease | 63,941 | 162,244 | 459,241 | 43,809 | 37,927 |
| Proceeds from bonded debt | - | - | 2,545,000 | - | - |
| TOTAL OTHER FINANCING | | | | | |
| SOURCES (USES) | 63,941 | 162,244 | 3,004,241 | 43,809 | 37,927 |
| Net change in fund balance | \$ (2,050,089) | \$ (1,117,681) | \$ (613,864) | \$ (404,947) | \$ 115,584 |

* Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007. (See Note 1 to the basic financial statements).

TABLE 5

**CITY OF WINDCREST, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| <u>Fiscal Year</u> | <u>Property</u> | <u>Sales & Use</u> | <u>Occupancy</u> | <u>Franchise</u> | <u>Mixed Beverage</u> | <u>Total</u> |
|------------------------|-----------------|------------------------|------------------|------------------|---------------------------|--------------|
| 2006 | \$ 1,532,718 | \$ 2,078,051 | \$ 295,332 | \$ 303,569 | \$ 6,541 | \$ 4,216,211 |
| 2007 | 1,606,050 | 1,704,690 | 324,034 | 293,672 | 6,519 | 3,934,965 |
| 2008 | 1,772,601 | 2,060,100 | 231,238 | 313,663 | 19,979 | 4,397,581 |
| 2009 | 2,119,007 | 1,926,773 | 163,442 | 417,211 | 18,751 | 4,645,184 |
| 2010 | 1,940,339 | 2,356,531 | 159,970 | 400,584 | 18,089 | 4,875,513 |

* Excludes activities of the City of Windcrest Economic Development Corporation, which was changed to a discretely presented component unit in 2007. (See Note 1 to the basic financial statements).

TABLE 6

**CITY OF WINDCREST, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| Fiscal Period | City Direct Rates | | | Overlapping Rates | |
|------------------|-------------------|-----------------|-----------------|-------------------|-----------------|
| | General M&O | Debt Service | Total Direct | North East ISD | Bexar County |
| 2006 | 0.332654 | 0.079968 | 0.332654 | 1.794000 | 0.331190 |
| 2007 | 0.332654 | 0.079800 | 0.412622 | 1.669000 | 0.326866 |
| 2008 | 0.332654 | 0.074585 | 0.407239 | 1.402900 | 0.326866 |
| 2009 | 0.362654 | 0.073573 | 0.436277 | 1.402900 | 0.326866 |
| 2010 | 0.362654 | 0.073841 | 0.436495 | 1.402900 | 0.326187 |

TABLE 7

**CITY OF WINDCREST, TEXAS
PRINCIPAL PROPERTY TAX PAYERS –
CURRENT AND NINE YEARS AGO
(UNAUDITED)**

| Taxpayer | 2010 | | | 2001 | | |
|--------------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| HCP REIT Operating Co., LLC | \$ 10,749,143 | 1 | 2.36% | - | N/A | N/A |
| HD Development Prop LP | 5,655,701 | 2 | 1.24% | - | N/A | N/A |
| Frost National Bank | 5,481,948 | 3 | 1.20% | - | N/A | N/A |
| The Home Depot USA Inc | 5,177,129 | 4 | 1.14% | - | N/A | N/A |
| Cotter, James F. | 4,900,001 | 5 | 1.08% | - | N/A | N/A |
| Sage Western Investments | 4,387,310 | 6 | 0.96% | - | N/A | N/A |
| Riverside 193 Inc. et al | 3,999,998 | 7 | 0.88% | - | N/A | N/A |
| Citibank NA | 3,400,000 | 8 | 0.75% | - | N/A | N/A |
| Gigante Flea Mart LP | 3,303,461 | 9 | 0.73% | - | N/A | N/A |
| Jones-Tradewinds Apartments LP | 3,200,000 | 10 | 0.70% | - | - | - |
| Total | <u>\$ 50,254,690</u> | | <u>11.03%</u> | <u>-</u> | | |

TABLE 8

**CITY OF WINDCREST, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| Fiscal Year Ended 30-Sep | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-----------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2006 | \$ 1,539,527 | \$ 1,512,093 | 98.22% | \$ 24,882 | 1,536,975 | 99.83% |
| 2007 | 1,589,640 | 1,578,120 | 99.28% | 7,834 | 1,585,954 | 99.77% |
| 2008 | 1,751,877 | 1,736,825 | 99.14% | 2,438 | 1,739,263 | 99.28% |
| 2009 | 2,051,301 | 1,996,628 | 97.33% | 7,489 | 2,004,117 | 97.70% |
| 2010 | 1,989,202 | 1,933,373 | 97.19% | - | 1,933,373 | 97.19% |

Source: Bexar County Tax Assessor Collector and City of Windcrest Finance Department

TABLE 9

**CITY OF WINDCREST, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| Fiscal Year | General Obligation Bonds | Governmental Activities | | Total Primary Government | Per Capita* |
|----------------|--------------------------------|----------------------------|-------------------|--------------------------------|----------------|
| | | Texas Tax Notes | Capital Leases | | |
| 2006 | \$ - | \$ 4,085,000 | \$ 604,524 | \$ 4,689,524 | 921 |
| 2007 | - | 3,430,000 | 583,799 | 4,013,799 | 786 |
| 2008 | 2,545,000 | 215,000 | 785,048 | 3,545,048 | 694 |
| 2009 | 2,155,000 | 110,000 | 568,932 | 2,833,932 | 555 |
| 2010 | 1,750,000 | - | 379,388 | 2,129,388 | 394 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population and other demographic data details on page 73.

**CITY OF WINDCREST, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

TABLE 10

| Fiscal Year | General Bonded Debt Outstanding | | | Actual Taxable Value of Property | Percentage of Actual Taxable Value of Property |
|----------------|---------------------------------|-----------------------|--------------|--|---|
| | General Obligation Bonds | Texas Tax Notes | Total | | |
| 2006 | \$ - | \$ 4,085,000 | \$ 4,085,000 | \$ 373,108,395 | 1.09% |
| 2007 | - | 3,430,000 | 3,430,000 | 385,385,242 | 0.89% |
| 2008 | 2,545,000 | 215,000 | 2,760,000 | 430,117,860 | 0.64% |
| 2009 | 2,155,000 | 110,000 | 2,265,000 | 470,160,162 | 0.48% |
| 2010 | 1,750,000 | - | 1,750,000 | 455,648,775 | 0.38% |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

TABLE 11

**CITY OF WINDCREST, TEXAS
LEGAL DEBT MARGIN
FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of general obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in the levy of a tax for bonded debt of over \$1.00 for cities under a population of 5,000 or \$1.50 for the cities over 5,000 in population. The City's charter restricts tax levy to no more than \$1.25 per \$100 of Assessed Valuation for payment of debt.

| | | |
|---|-----------------|-----------------------|
| Taxable Value | | <u>\$ 455,648,755</u> |
| Debt limit - 10% of taxable value | | \$ 45,564,876 |
| Amount of debt applicable to debt limit: | | |
| Total bonded debt | \$ 1,750,000 | |
| Less net assets in debt service fund | <u>(14,449)</u> | |
| Total amount of debt applicable to debt limit | | <u>1,735,551</u> |
| Legal debt margin | | <u>\$ 43,829,325</u> |

TABLE 12

**CITY OF WINDCREST, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS –
LAST FIVE FISCAL YEARS
(UNAUDITED)**

| <u>Year</u> | <u>Population</u> | <u>Per Capita Personal Income</u> | <u>Median Age</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|---|-----------------------|------------------------------|
| 2006 | 5,090 | \$ 30,120 | 56 | 5.4% |
| 2007 | 5,105 | 30,843 | 56 | 4.8% |
| 2008 | 5,105 | 30,843 | 56 | 4.1% |
| 2009 | 5,105 | 30,843 | 56 | 4.2% |
| 2010 | 5,405 | 32,021 | 58 | 4.0% |

TABLE 13

**CITY OF WINDCREST, TEXAS
PRINCIPAL EMPLOYERS –
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

| Employer | 2010 | | | 2001 | | |
|------------------------------|---------------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| USAA | 14,852 | 1 | 1.65% | N/A | N/A | N/A |
| HEB Food Stores | 14,588 | 2 | 1.62% | N/A | N/A | N/A |
| Bill Miller BBQ | 4,190 | 3 | 0.46% | N/A | N/A | N/A |
| Cullen/Frost Bankers | 3,982 | 4 | 0.44% | N/A | N/A | N/A |
| Valero Energy | 3,777 | 5 | 0.42% | N/A | N/A | N/A |
| Southwest Research Institute | 3,300 | 6 | 0.37% | N/A | N/A | N/A |
| Harland Clarke | 3,100 | 7 | 0.34% | N/A | N/A | N/A |
| Clear Channel Communication | 2,800 | 8 | 0.31% | N/A | N/A | N/A |
| Cardell Cabinetry | 2,429 | 9 | 0.27% | N/A | N/A | N/A |
| Rackspace | 2,412 | 10 | 0.27% | N/A | N/A | N/A |
| Kinetic Concepts, Inc. | 2,156 | 11 | 0.24% | N/A | N/A | N/A |
| Zachry Holding, Inc. | 2,000 | 12 | 0.22% | N/A | N/A | N/A |
| Total | 59,586 | | 6.61% | | | |
| Total Civilian Labor Force | 902,102 | | | | | |

The City of Windcrest is surrounded by the city of San Antonio and no data is available for the employers in the City of Windcrest. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation.



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